

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD

Market Development Committee
March 13, 1997

AGENDA ITEM 6

ITEM: CONSIDERATION OF 50% INITIATIVE STRATEGIES RELATED TO MARKET DEVELOPMENT

I. SUMMARY

This agenda item analyzes whether the Board should pursue one or more of the market development strategies identified in the 50% Initiative considered by the Board in January 1997. Staff analyzed the strategies in terms of (1) the extent to which the strategies enhance attainment of the two goals for market development adopted by the Board in August 1996, and (2) the extent to which the 50% strategies would help overcome the market development barriers identified in the 1996 Market Development Plan (MDP). Staff then recommends certain changes to the MDP to incorporate five of the strategies on the basis that they can help California achieve the 50% diversion level by 2000.

II. PREVIOUS BOARD ACTION

At its January 1997 meeting, the Board directed the Market Development Committee to evaluate certain strategies related to market development and to develop recommendations for whether and when to pursue the strategies. The Board also directed staff to prepare brief, relevant background material for these deliberations. The Committee's recommendations are to be brought to the Board for consideration at its March 1997 meeting.

III. OPTIONS FOR THE COMMITTEE

Committee members may decide to:

1. Forward to the Board for adoption staff's recommendation as follows:
 - Amend the 1996 Market Development Plan to add strategies #8, #33, #34, #35, and #36.
 - To accommodate the added workload from these five strategies, consider amending the 1996 Market Development Plan to reduce efforts related to plastics and tires because of their low percentage in the waste stream and relatively small contribution to getting to 50%.
 - Direct staff to continue to take advantage of opportunities that present themselves in the area of

export market development for secondary paper and of using permit assistance and working with Trade and Commerce Agency to encourage large-scale recycling-based business development in California.

2. Forward a portion of staff's recommendation for Board adoption.
3. Modify staff's recommendation for Board adoption.
4. Not forward any of staff's recommendation.

IV. STAFF RECOMMENDATION

Staff recommends five strategies be incorporated into the 1996 Market Development Plan by amendment:

- #8 Refocus the RMDZ loan program to make diversion potential the highest priority.
- #33 Increase outreach into business community to increase priority material recycling and Buy Recycled.
- #34 Increase green waste diversion.
- #35 Increase awareness and information about supply, location, and flow of materials, with focus on secondary paper and compostables.
- #36 Develop markets and promote reuse of construction and demolition (C & D) materials.

To accommodate the added workload from these five strategies, staff further recommends the MDP be amended to reduce efforts related to plastics and tires because of their low percentage in the waste stream and relatively small contribution to getting to 50%.

Finally, staff recommends that staff be directed to continue to take advantage of opportunities that present themselves in the area of export market development for secondary paper and of using permit assistance and working with Trade and Commerce Agency to encourage large-scale recycling-based business development in California.

V. ANALYSIS

56 The purpose of this agenda item is to determine whether the Board should pursue one or more of the market development strategies identified in the 50% Initiative considered by the Board in January 1997. Staff has analyzed the strategies in terms of:

- the extent to which the strategies further attain the two goals for market development adopted by the Board in August 1996, and
- the extent to which the 50% strategies would help overcome the market development barriers identified in the 1996 Market Development Plan (MDP).

Background

The Board adopted two goals in the 1996 Market Development Plan:

- **Diversion Potential Goal** - To help create markets for an additional 14 to 19 million tons per year expected to be diverted as California achieves 50% diversion.
- **Significant Issue Goal** - To develop markets for materials that may not be diverted in large amounts but which are important to divert for other reasons, such as because of legislative mandates, health and safety impacts, or cost considerations.

In developing the 1996 Market Development Plan, staff identified the market development barriers of each major waste material and major market development programs. Attachment 1 provides detailed information on these barriers. In summary, however, they are as follows:

- **Paper** - High cost of collection relative to prices paid for scrap paper retards increase of feedstock supplies. Lack of information about available feedstock supplies is a barrier to decisions to increase recycled-paper mill capacity.
- **Composts and Mulches** - Lack of knowledge about sources and uses of composts and mulches hinders growth in demand. Uncertainty regarding regulatory issues impedes establishment of new or expanded facilities to make compost products. Development of compost and mulch production is also impeded by lack of clean, green supply and by lack of information about where these materials may be obtained.
- **Construction and Demolition Waste** - The high cost to process urban wood waste, especially through deconstruction, and the relatively low cost of disposal hinder its processing and reuse. The demand for recycled inerts is reduced because of lack of product specifications and negative perceptions about this material. Unique costs of recycled inerts production make it uneconomical compared to virgin inerts in areas of ample virgin inerts supplies. Increased use of salvaged materials and fixtures is impeded by lack of

adequate distribution systems to bring these items to would-be purchasers.

- **Tires** - Air quality concerns and perceptions slow the development of tires as fuel. Lack of adequate engineering specifications and the higher cost of rubberized asphalt are barriers to increased use of this product. Poor economics and negative product perceptions interfere with the growth of the crumb rubber market for tires.
- **Plastics** - Poor economics and negative material and product perceptions interfere with the growth of markets for postconsumer plastics.
- **Buy Recycled** - Barriers to the procurement of recycled-content products (RCP) include: low consumer awareness, inadequate information, and concerns about RCP quality, reliable availability, and competitive prices.
- **Industrial Market Development** - Manufacturers perceive that there is "risk" in producing recycled-content products. There are also real difficulties associated with the re-tooling, expanding, and siting of manufacturing facilities needed to increase the capacity of manufacturers to produce recycled-content products.
- **Exports** - Export market development is impeded by the volatility of export supply, demand, and prices; concern in importing countries that they not become "dumping" grounds for waste; and the general complexity of dealing in export markets.

Strategies under Consideration

This item covers the six strategies recommended by the Board for deliberation by the Market Development Committee. The item also analyzes three other strategies related to market development which were not recommended for further consideration in the January Board agenda item.

Strategies Referred to the MDC for Further Consideration

- #8 **Refocus the RMDZ loan program to make diversion potential the highest priority.**

This concept is a modification to the Board's existing RMDZ loan program and does not require legislation.

58 **Current Status** - Over the past few years, in setting the annual loan program objectives, the Board has targeted for RMDZ loans

materials that were identified in the Market Development Plan. Currently, the program targets paper, organics, and construction and demolition material, all of which offer great diversion potential. The loan program also targets manufacturers of secondary plastic and tire products because those materials are also priority materials in the current MDP.

Consistency with MDP - This strategy is in alignment with the 1996 MDP goal of maximizing diversion. However, a strategy that only concentrates RMDZ loans on projects which produce large tonnages diverted would be in conflict with the Plan's goal of developing markets for materials which pose particular problems for waste management or for which the Board has mandated programs. For example, under this strategy the Board may not make loans for projects that recycle tires or plastics.

Effect on Overcoming Barriers - Strategy #8 would assist in overcoming barriers related to the relatively high cost of reusing and processing urban wood waste and inert materials by reducing the cost of capitalization. It could negatively impact barriers to market development of tires and plastics because of their relative light weight. Loans for crumb rubber projects and for processing postconsumer plastics and manufacturing recycled-content plastic products would be particularly affected since cost is an important barrier to development of these markets.

Implementation Considerations - Two factors may limit full implementation of Strategy #8:

- Because the qualifying criteria for loan projects, even with the current targeting efforts, are very broad Board staff now processes all loan applications for projects that qualify for loans. Therefore, as the loan program is currently structured, limiting lending to projects which involve high diversion potential would not come into play until loan demand exceeds loan fund availability.
- The zones-- the originators in many cases of the loans-- may have different economic development goals and diversion solutions to meet their local mandates. What results from the zones' loan origination efforts are projects that may not target only high waste diversion potential materials.

The Board would need to revise loan criteria to limit loans to projects which meet specified levels of diversion. The objectives could be made much more specific to include just the priority materials, and staff could be directed to consider only high diversion potential priority materials in the loan marketing strategy if applications exceed available funds. Another option is that staff could refrain from actively marketing low diversion

potential loans and simply process them if applications are received.

If the Board decides to focus only on materials offering the greatest potential for diversion, it is likely that loans for projects involving secondary plastics, and other low percentage waste types would not be emphasized.

Depending on how fully the Board implemented this strategy, it is likely that the zone administrators and affected industries would protest. Implementing this strategy through selective targeting may be questioned if annual fund availability is in excess of loan demand.

#10 Provide tax credits for the purchase of recycled (i.e., secondary) materials as feedstock or the purchase of recycling equipment.

This concept consists of suggestions which range from: (1) providing tax incentives for businesses using secondary materials as feedstock; (2) providing tax credits for purchase of equipment that prevents waste; to (3) providing a volume-based tax credit to businesses for recycling activities. Based on initial evaluations, the January 1997 agenda item suggested that this strategy "has one of the highest potential diversion potentials" in the category of funding and financial incentives. The agenda item also indicated that "an effective tax credit program ... would also provide a significant boost to recycling in California." This strategy would require legislation to implement.

Current Status - The Board operated a recycling investment tax credit program from January 1, 1989 (it went into effect retroactively), until it sunsetted on January 1, 1994.

According to a June 1995 Board report to the Legislature,¹ the majority of the equipment (49%) subsidized under the program, as well as the dollars expended (54%), was for the asphalt, concrete and metals industries. This equipment included grinders and crushers to reclaim old concrete and return it to a marketable aggregate; specialized asphalt milling equipment that grinds old asphalt and lays it back into new asphalt; and steel and aluminum furnaces to produce ingot and billet to be used in the manufacture of new products. Other equipment included grinders and chippers for producing compost and mulch, plastic extruders, and equipment to produce glass cullet. One applicant was approved to clean postconsumer wine bottles for reuse.

¹ Copies of the report to the Legislature on the recycling investment tax credit program are available on request by calling (916) 255-2708.

Consistency with MDP - This strategy could be consistent with the current MDP if the tax credit is limited to projects involving secondary materials that are a major part of wastestream (organics, inerts, paper) and to materials that pose special problems for waste management, such as plastics. However, tax credits to stimulate market development were specifically discussed and discarded as an option during the deliberations leading to the 1996 MDP. Tax credits were found to be of questionable efficacy (see discussion below) and would be unlikely to result in substantial market development by 2000 (one of the criteria for inclusion of an activity in the MDP).

Effect on Overcoming Barriers - A tax credit to support recycling collection activities could help overcome barriers associated with the high cost of paper collection. However, as indicated in the discussion of implementation below, the net effect may not be positive.

Implementation Considerations - The Board's earlier tax credit appears not to have had a major impact on increasing recycling. The tax credit was a credit against state income tax liability (of about 7+%). While the credit did marginally improve a firm's cash flow, it did not realistically provide a strong financial incentive to cause the firm to consider purchasing equipment which used recycle material as feedstock. Firms purchased equipment and received the tax credit, but the credit was not the factor that caused the investment to be made in most instances. Tax credit applicants often learned about the tax credit from their accountants long after they had made qualifying investments. The tax credit thus amounted to a windfall for the recipients.

State agency experience with other tax credits would also indicate that tax credits may not provide the intended results. For example, a 1985 evaluation of the jobs tax credit prepared by the Employment Development Department found that jobs were not created as a result of the tax credit because tax consequences are not the major determinant of the decision to build or expand a business. In addition, to the extent that the business enjoys a reduction of State tax liability, federal tax liability increases to partially offset the advantage.

Regardless of the general effectiveness of tax credits (or lack thereof), a tax credit will primarily benefit existing businesses, rather than new, start-up ventures which have limited tax liability.

Equipment-related tax credits (Option #2, above) may encourage the purchase of new, more efficient machinery or the expansion of capacity by existing businesses if the tax credit is structured to be an incentive rather than a reward for decisions that the company would make even without the tax credit.

Tax credits for using secondary feedstock (Option #1) or based on the volume of recycling activity (Option #3) would have the effect of subsidizing recyclers over the long-term. This would have the negative impact of making the businesses dependent on the subsidy and less able to adapt to changing economic and market conditions. This effect is contrary to the values adopted by the Board in the 1996 Market Development Plan: "to ensure that market development programs develop and/or expand self-sustaining businesses that will not be dependent on long-term government support."

The "volume-based" tax credit would benefit least those firms which need financial assistance most. Under this option, the more paper a paper collection/processing firm collects and processes, the greater the tax credit it would be eligible to receive. Unfortunately, the recycling companies which face the greatest financial barriers to collecting paper (at no cost to the generator) and which would benefit most by a tax credit are those that collect the lowest volume of paper. A volume-based tax credit for paper collection/processing would provide a windfall to the largest, most financially healthy paper dealers, while not providing any incentive to those dealers to go after the small businesses that are presently generating the vast majority of unrecovered paper.

If the Board decides to pursue legislation to establish tax credits, any credit should be for equipment rather than materials and should be targeted at those businesses and waste types (organics, C&D, paper) considered to have high diversion potential.

#33 Increase outreach into business community to increase priority material recycling and Buy Recycled.

This concept consists of ideas ranging from: (1) expand outreach program with the business community to recycle a large percentage of waste; (2) focus efforts and resources on diversion from commercial sources of the most dense material; and (3) improve networking between Board staff, cities, counties and businesses involved in diversion by soliciting attendance at periodic regional meetings.

Current Status - The Board adopted a "Private Buy Recycled Strategy" in January 1995. The essence of this strategy is to harness the purchasing power of individual companies by creating alliances among private industry, local government, and other involved parties. Although the strategy calls for five alliances, the most active ones are the Recycled Paper Coalition, the work with the agricultural sector to promote compost and mulch use, and the efforts of Board staff to promote recycled-content products to the building industry.

Through the RMDZ program, the Board is also already reaching out to the business community to increase priority material recycling. In May 1996, to better market the zone program and increase the number of loans, the Board adopted a Marketing Strategy. That strategy targets compost and C&D, two of the priority materials adopted in the 1996 Market Development Plan.

Consistency with MDP - This strategy of increased outreach to the business community is entirely consistent with the 1996 Market Development Plan. In fact, the Plan directs that Board market development programs promote partnerships among State government, business, and local governments for stimulating market development for secondary materials. Specifically, the Board adopted six actions in the MDP that rely wholly or in part on outreach to the business community:

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| A2 | Paper: | Increase office paper recovery. |
| A3 | Paper: | Increase use of mixed paper in nonpaper products, particularly building products such as wall panels and medium-density fiberboard. |
| A5 | Paper: | Facilitate the development of export markets for all grades of waste paper. |
| C2 | Plastics: | Increase use of secondary plastic by durable goods manufacturers and promote design for recyclability principles with those manufacturers. |
| F1 | Buy Recycled Program: | Increase procurement of refurbished and recycled-content products by the private and public sectors. |
| G1 | Industrial Market Development: | Increase the number and capacity of reuse and recycling businesses in California. |

Effect on Overcoming Barriers - Outreach activities are useful in overcoming barriers related to lack of information, understanding, or appreciation. Therefore, by providing information on the uses and benefits of recycled-content products, Strategy #33 should help expand agricultural markets for compost and mulch, help increase production capacity of compost and mulch, and reduce the bias against crumb rubber and plastics. This strategy fully supports the Buy Recycled Program's outreach efforts.

Implementation Considerations - This strategy is currently being implemented.

#34 Increase green waste diversion.

To increase green waste diversion, the 50% Initiative agenda item in January recommended the Board direct staff (1) work with cities, counties and private industry to expand the Board's compost outreach efforts to farmers, nurseries, landscapers, and other State agencies and (2) research and develop an effective approaches to increase use of mulch and compost by promising target groups. The agenda item also recommended the Board consider whether to pursue legislation to require county, city and/or private composting in all jurisdictions.

Current Status - The WP&MD Division outreach portions of Strategy #34 that are already being implemented include:

- compost and mulch demonstrations
- work with the California Compost Quality Council (CCQC)
- the effort of staff to promote compost and mulch use at farm trade shows and field days and at landscaper trade shows
- Grasscycling Partnerships
- Master Composter training

P&E Division has been conducting, and plans on continuing to conduct, workshops and training on organic material recycling. The focus is on accepted practices and includes compost and mulch facility operators, users, planners, and other interested parties, such as LEAs and officials of involved State agencies. The next series of workshops will be in July and August, 1997

Consistency with MDP - A strategy to increase green waste diversion is entirely consistent with the 1996 Market Development Plan. The Board adopted two actions in the MDP which relate to this strategy:

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| B1 | Compostables and Mulches: | Increase use of compost and mulches by agriculture, landscapers, and nurseries. |
| B2 | Compostables and Mulches: | Increase cost-effective production of environmentally safe compost and mulch by providing information and assistance to the composting and mulching community and to regulators, including Local Enforcement Agencies (LEA). |

Effect on Overcoming Barriers - Legislation to mandate composting of organic wastes in all jurisdictions would greatly increase the supply of compost. However, while the Legislature can force jurisdictions to compost and/or mulch, growers are not going to use these products until they are convinced it makes sense.

64 Strategy #34 addresses the need to overcome the lack of knowledge about the uses and benefits of compost and mulches on the part of

major potential users, such as the agricultural sector. The Board is addressing this lack of knowledge through the CCQC and farm shows. The issue is educating growers about the potential uses and benefits of compost.

Implementation Considerations - There would be some cost to the Board to expand its existing green waste diversion efforts both in the form of contract funds and staffing. Suggestions to mandate county, city and/or private composting would require legislation. If such legislation is passed, there would be increased workload for Board staff assisting LEAs and compost facility operators.

#35 Increase awareness and information about supply, location, and flow of materials.

The January 1997 agenda item recommended the Board direct staff to identify the most effective options for collecting and publicizing regional supply and location information for paper, compostables, and inerts (paving, concrete, drywall) in the four or five largest commercial/industrial areas of California.

To decide to invest in a new business or new equipment using secondary feedstock, industry must have confidence that an adequate quantity of secondary materials of acceptable quality is available at a price competitive with virgin alternatives. Although the business will generally conduct its own assessment, region-specific information and leads provided by the Board and/or cities and counties can provide a cost-saving service. Such a service would complement other efforts (e.g., the RMDZ program) to bring recycling industries to the State and/or encourage the production of recycled-content products sooner.

Current Status - Board staff undertakes research on regional supply and location information for secondary materials on an as-needed basis rather than systematically. Activity A1 in the 1996 Market Development Plan charges staff with pursuing such information for paper, but work has not yet begun on this project.

Consistency with MDP - This strategy is consistent with the MDP which directs staff to develop regional supply data for recovered paper to assist paper recyclers in identifying existing and potential feedstocks. It would expand the effort to include additional materials (compostables and inerts) and would focus the effort on a few key areas of the State.

Effect on Overcoming Barriers - This strategy would help overcome market development barriers in the case of secondary paper and compostables but not for inerts. That is, improved supply information has not been identified as necessary for inerts market development.

- The MDP identified the lack of information about available feedstock supplies as a barrier to decisions to increase recycled-paper mill capacity. Whereas a paper mill may need 500 or 1,000 tons per day of feedstock, other manufacturers do not generally need large quantities of material. Therefore, lack of information about feedstock supplies tends to be less crucial for them. (Occasionally a non-paper large feedstock consumer will consider siting in California and need feedstock supply information. This is the case with the \$100 million Knauf Fiber Glass insulation plant to be built in Shasta Lake which needs to secure 20,000 tons per year of secondary glass to meet State minimum content requirements.)
- Compost and mulch producers need a consistently available supply of "clean, green" material, and lack information about where this material may be obtained is a barrier to them.
- Lack of feedstock supply information has not been identified as a barrier for market development of inerts. The building industry is already generally plugged into feedstock sources. Drywall scraps come from drywall contractors. Concrete and asphalt comes from Caltrans or local public works projects, or demolition. Sometimes a concrete crusher can't get enough feedstock because there isn't much demolition going on in his or her community. Demolition contractors know where the recyclers are, and where they can save on tipping fees.

Implementation Considerations - There would be some additional costs to the Board to expand its efforts and moderate costs to cities and counties. The waste stream reduction is expected to be relatively high.

This strategy would be beneficial for development of markets for paper and compostables.

This concept would not require legislation and is an expansion of existing efforts.

#36 Develop markets and promote reuse of construction and demolition (C & D) materials.

The January agenda item recommended the Board direct staff to:
(1) focus on the reuse of C & D materials which includes encouraging industry associations and building departments to allow use of used building materials; and (2) report on whether Caltrans wishes to pursue legislation on testing and producing specifications for recycled-content asphalt.

Current Status - The Board already has a number of efforts on-going to work with industry associations and building departments to allow the use of used building materials. For example:

- Staff of Waste Prevention and Market Development Division has been working on a technical manual in support of the proposed Playa Vista project in Los Angeles.
- Staff has completed a *Base Closure Handbook* which deals with reuse of C&D materials and has the first draft of a *Resourceful Building Factsheet* for widespread dissemination of the re-use message.
- WP&MD Division staff is already working with Caltrans regarding the use of asphalt roofing in making new hot mix asphalt, and the Cost/Benefit analysis for using asphalt roofing in both roadbase and hot mix asphalt.
- WP&MD Division staff has made mailings to trade associations and is preparing mailings to building departments regarding the Board's C&D diversion program. The goal is to encourage decision-makers to allow the use of used building materials in new construction and remodelling projects.
- Staff in WP&MD Division has drafted a fact sheet entitled, *Caltrans & Recycled Construction Products*.

Consistency with MDP - Strategy #36 is consistent with the MDP:

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| D1 | Construction & Demolition Materials: | Assist the California Department of Transportation with testing and specification development for recycled-content road products. |
| D2 | Construction & Demolition Materials: | Investigate opportunities for wood waste markets. |
| D3 | Construction & Demolition Materials: | Conduct studies on uses of ground drywall. |

Effect on Overcoming Barriers - This strategy could help overcome one of the greatest barriers to C&D waste market development: the fact that not many California municipalities and contractors specify or allow secondary material in bids and plans. They continue to use virgin materials either out of habit, inexperience with or distrust of secondary material, or unawareness of new specifications that allow secondary material in certain applications.

Although other states successfully include recycled-content asphalt in their road applications, Caltrans does not yet have specifications for use of such products.

Implementation Considerations - For the most part, this concept is already being implemented by the Board.

There is no need to enact additional legislation directed at Caltrans on something that is already law. PRC 42700 mandates Caltrans to review and modify all bid specifications related to the purchase of paving materials...using recycled materials. Staff of the Waste Prevention and Market Development Division is preparing a letter to Caltrans inquiring about the status of this effort.

Strategies related to market development but not recommended in the 50% Initiative Board Agenda Item

- Assist in developing markets in Pacific Rim countries.

One of the comments at the November 13, 1995, public workshop on the 50% initiative was that the Board should explore the opportunities for export of paper to Pacific Rim countries, and perhaps take an active role in developing links with Pacific Rim countries. The 1996 MDP notes that some opportunities may exist to promote export of secondary paper grades.

Current Status - As stated in the 1996 Market Development Plan, the Board has very limited ability to significantly affect export markets. Currently, the only staff export market development effort is to track the effect of foreign market events (e.g., mill closings in China for the New Year celebration) on US markets. This information is reported in the *Quarterly Report on California's Recycling Markets*.

Consistency with MDP - This strategy is consistent MDP Priority Action A5: Facilitate the development of export markets for all grades of waste paper. The MDP directs staff to continue to publicize export market data for waste paper in the *Quarterly Report on California's Recycling Markets*. To facilitate the export of all grades of waste paper, the MDP tasks staff with entering into an interagency agreement with the Trade and Commerce Agency to provide detailed export marketing assistance. Implementation of this activity will occur during FY97/98.

Effect on Overcoming Barriers - Export market development is impeded by the volatility of export supply, demand, and prices, concern in importing countries that they not be "dumping" grounds for waste, and the general complexity of dealing in export markets. To be effective, implementation of this strategy would have to address those barriers.

Implementation Considerations - This strategy would have low to moderate cost to the Board, depending on how aggressively the strategy is implemented.

- Publicizing of export market data is already being done through the *Quarterly Report on California's Recycling Markets*.
- There will need to be some effort expended in developing strategic partnerships with TCA and other agencies and organizations involved in exports. The Board's ability to enter into an interagency agreement with TCA depends on the willingness of that agency to do so.
- The Board can continue to work with CalEPA to promote an increase in the export of secondary paper and plastics to China. We would like to see exports of secondary paper to China increased by 1 million tons annually and exports of secondary plastics to China by 40,000 tons annually. This recommendation has been forwarded to CalEPA for review.
- Baseline information on opportunities for paper and plastics consumption in the Pacific Rim could be collected as part of the infrastructure capacity project being proposed for contract consideration in 1997/98.
- The Board could conduct a workshop for export brokers to determine what actions the secondary material export industry think would be most useful for the Board to pursue.

- **Use permit assistance programs as incentives to manufacturers.**

This was one of the incentives considered in the 50% Initiative to attract manufacturers to the use of secondary materials as feedstock.

Current Status - Permit assistance is offered as needed in working with manufacturers who are considering the use of secondary materials. As appropriate, staff participates on "red teams" organized by TCA to induce large manufacturers to site or expand in California. These teams coordinate permit assistance as an incentive to the manufacturers.

Consistency with MDP - This strategy is consistent with the MDP which tasks staff to "Investigate and implement feasible new incentives to provide zone administrators with additional tools to assist, attract and retain reuse and recycling businesses" as part of the Industrial Market Development effort.

Effect on Overcoming Barriers - Manufacturers perceive that there is "risk" in producing recycled-content products. This strategy would be useful to the extent that it reduces the uncertainty and effort involved in siting or expanding facilities making recycled-content products.

Implementation Considerations - This strategy is already being implemented through the R-Team and RMDZ programs on a case-by-case basis.

- **Develop closer working relationships with the Trade and Commerce Agency.**

Current Status - Board staff is currently working with Trade and Commerce staff as needed on a few, large projects. To help solidify these ties, Board staff is meeting with staff of TCA's regional offices, providing information on what services for businesses the Board has to offer and on how our two agencies have cooperated on projects in the past.

Consistency with MDP - This strategy is consistent with the Industrial Market Development priority action G1: Increase the number and capacity of recycling and reuse businesses in California. This effort is leveraged by working with TCA.

Effect on Overcoming Barriers - The institutionalization of ties with Trade and Commerce will have the effect of eliminating barriers to information flow between the two agencies. This effort has the benefit of giving Board staff a wider variety of business development and economic development resources as well as giving Trade and Commerce staff more resources for business attraction efforts.

Implementation Considerations - This strategy is already being implemented through the R-Team and RMDZ programs.

Findings

The Board applied four criteria in determining which actions to adopt in the 1996 Market Development Plan out of the multitude of possible actions. These were:

- Action has a high relative contribution toward achieving the 50% diversion goal.
- Action involves commodities which represent special collection or environmental problems.
- Action is capable of causing an impact on creating or enhancing markets.
- Action can cause the intended effect by 2000.

Using the same test for the strategies under consideration in this agenda item reveals results as shown in Table 1. This analysis shows:

1. Most of the nine strategies under consideration in this agenda item fail the "special commodities" test.
2. The tax credit strategy, #10, does not readily support any of the criteria.
3. The supply information strategy, #35, likely will be helpful in bringing about paper and compostables market development.
4. Only five of the strategies are likely to have an effect on market development by 2000. These are refocus of the loan program (#8), business outreach (#33), increased green waste diversion (#34), supply information (#35), and C&D markets promotion (#36).
5. The three strategies that were not recommended in January but which are considered in this agenda item may have an effect on market development by 2000, but that outcome is by no means certain. This is due to the difficulty of influencing siting and expansion of recycling infrastructure and foreign markets.

Recommendations

Based on the findings above, staff recommends the following:

- Amend the 1996 Market Development Plan to add strategies #8, #33, #34, #35, and #36. Regarding Strategy #35, the focus should be on secondary paper and compostables supply information.
- To accommodate the added workload from these five strategies, consider amending the 1996 Market Development Plan to reduce efforts related to plastics and tires market development because of their low percentage in the waste stream and relatively small contribution to getting to 50%.
- Direct staff to continue to take advantage of opportunities that present themselves in the area of export market development for secondary paper and of using permit assistance and working with Trade and Commerce Agency to encourage large-scale recycling-based business development in California.

Fiscal Impacts

There would be little fiscal impact if new workloads are accommodated by redirecting staff from work on non-priority materials. For FY97/98, the following market development contract concepts are being forwarded for consideration:

2-WPM-IWM	Annual trash bag audit contract	\$ 25,000
4-WPM-IWM	Plastic lumber research/demo project	\$ 50,000
6-WPM-IWM	Assist export development for recyclable materials	\$ 25,000
33-WPM-IWM	Wine bottle reuse demonstration project	\$ 25,000

Staff recommends approval of the annual trash bag audit contract because it is a key indicator for enforcement purposes. The other concepts should be further discussed in terms of how they relate to the 1996 MDP and the proposed modifications resulting from this agenda item.

VI. ATTACHMENTS

1. Barriers to Market Development Identified in the 1996 Market Development Plan
2. Summary of Analysis of 50% Initiative Strategies Related To Market Development

Table 1.

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	Diversion Goal Contribution	Special Commodity	Anticipated Market Impact	Effect by 2000
#8 Refocus the RMDZ loan program on diversion potential	Yes	No	Yes	Yes
#10 Provide tax credits	Maybe	Maybe	No likely	Not likely
#33 Increase outreach into business community	Yes	No	Yes	Yes
#34 Increase green waste diversion	Yes	No	Yes	Yes
#35 Increase awareness and information about supply, location, and flow of materials	Yes	No	In some cases	Yes
#36 Develop markets and promote reuse of construction and demolition (C & D) materials	Yes	No	Yes	Yes
Assist in developing markets in Pacific Rim countries	Yes	Maybe	Yes	Maybe
Use permit assistance programs as incentives to manufacturers	Yes	Maybe	Yes	Maybe
Develop closer working relationships with the TCA	Yes	Yes	Yes	Maybe

VII. APPROVALS

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